

**TOWNSHIP OF MARENISCO
GOGEBIC COUNTY
FINANCIAL REPORT
With Supplemental Information**

March 31, 2005

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Marenisco Township	County Gogebic
Audit Date 3/31/2005	Opinion Date 9/30/2005	Date Accountant Report Submitted to State: 10/17/2005	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.


We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	x		
Reports on individual federal financial assistance programs (program audits).			x
Single Audit Reports (ASLGU).			x

Certified Public Accountant (Firm Name) Roger J. Kolehmainen PC CPA			
Street Address 1445 East Cloverland Drive	City Ironwood	State MI	ZIP 49938
Accountant Signature 		Date 10/17/05	

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Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 932-3600

INDEPENDENT AUDITOR'S REPORT

Supervisor and Members of the Board
Township of Marenisco
Marenisco, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Township of Marenisco as of and for the year ended March 31, 2005, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these statements based on our audit.

We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that the audit provides a reasonable basis in our opinion.


In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the Township of Marenisco as of March 31, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note A to the basic financial statements, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Management Discussion and Analysis – For State and Local Governments* as of April 1, 2004.

The management's discussion and analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting and Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the financial statements of the Township of Marenisco, Michigan, taken as a whole. The combining and individual fund financial statements listed in the table of contents under supplemental information are presented for the purpose of additional analysis and are not a required part of the financial statements of the Township of Marenisco. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated September 30, 2005, on our consideration of Township of Marenisco's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.


Roger J. Kolehmainen PC
Certified Public Accountant

Ironwood, Michigan
September 30, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MARENISCO

Year ended March 31, 2005

Management's Discussion and Analysis

This section of the Township of Marenisco's annual financial report presents our discussion and analysis of the Township's financial performance during the year ended March 31, 2005. It is to be read in conjunction with the Township's financial statements, which immediately follow. This is a requirement of the Governmental Accounting Standards Board Statement No. 34 (GASB 34) *Basic Financial Statements – and Management Discussion and Analysis – for State and Local Government* and is intended to provide the financial results for the fiscal year ending March 31, 2005. This is the first year of GASB 34 implementation. As a result the financial report is presented very differently than previous years. Because this is the first year of implementation of GASB Statement No. 34, prior-year data is not available.

Government-wide Financial Statements

The Government-wide financial statements appear first in the financial report. These financial statements include the statement of net assets and the statement of activities. They report information about the Township as a whole. The statements are prepared using the accrual basis of accounting which is the accounting used by most private sector businesses. The statement of net assets includes all of the Township's assets and liabilities. All current year revenues and expenses are reported in the statement of activities. The new statement that have not been required or provided in past years but are now required based on government auditing and accounting standards. The statement report the governmental activities of the Township that include all services performed by the Township. These activities are funded mostly by State revenue sharing, property taxes and charges for services.

The statement of net assets, as stated previously, shows the Township's assets and liabilities. The corresponding balance between the amounts calculates the net assets or deficit of the Township. This statement measures the financial strength of the Township; the greater the net asset figure, the healthier the Township generally is. This shows if the Township will be able to fund their current obligations and shows what they have available for future use.

The statement of activities shows the current year change in net assets on revenue less expenditure basis. It generally shows the operating results for a given year of the Township. Any excess of revenues over expenditures results in a surplus for the year that in turn increases the net assets (or reduces a deficit) available to fund future needs of the Township. Any deficiency of revenues over expenditures results in a deficit for the year that in turn reduces the net assets (or increases a deficit) of the Township.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MARENISCO

Fund Financial Statements

The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. In the basic financial statements, the emphasis of the fund financial statements is on major funds. All of the funds of the Township can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This information may be useful in evaluating the Township's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. In order to provide the reader with information to better understand the long-term impact of the government's near-term financing decisions, a reconciliation between the government-wide financial statements is included as part of the basic financial statements.

The Township maintains two governmental funds. Information is presented separately in the government fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund (considered a major fund) and the Township's Special Revenue Funds (considered a non-major fund).

Individual fund data for each fund is presented separately in the "Other Supplemental Information" section of this report.

The Township adopts an annual budget for its general fund. To demonstrate compliance with this budget, a budgetary comparison statement has been provided for the general fund and is included in the "Required Supplemental Information" section of this report.

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MARENISCO

Proprietary Funds

Proprietary Funds provide services for which the Township charges customers a fee. The Township has two proprietary fund types- enterprise funds. The enterprise funds of the Township are used to report the same functions as the business-type activities in the government-wide financial statements. The Water and Sewer Funds is presented in both the government-wide financial statements and the fund financial statements and is considered a major fund. Enterprise funds are used to account for operations very similar to business enterprises, where the intent of the governing body is that the cost of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefits of parties outside the government. The fiduciary funds for the Township are the Tax Collection Fund and Pension Fund. Fiduciary funds are not included in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. This fund is presented separately in the fund financial statements section of the basic financial statements.

Notes to Financial Statements

Notes to the financial statements are included in the financial statements, and provide additional information that is essential for a full understanding of the data provide in the government-wide and the fund financial statements.

Government-wide Financial Statements-Condensed Financial Information

Statement of Net Assets

The following table shows the March 31, 2005, condensed statement of net assets with a detailed analysis of the statement below.

	Governmental	Primary Government	
	Activities	Business-Type	
ASSETS	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Assets:			
Cash and other assets	\$89,082	\$177,523	\$266,605
Other assets	351,353	52,043	403,396
Non-current Assets			
Restricted cash	145,606	87,400	233,006
Capital Assets, net	434,829	2,366,180	2,801,009
TOTAL ASSETS	\$1,020,870	\$2,683,146	\$3,704,016

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MARENISCO

	Governmental	Primary Government Business-Type	
LIABILITIES	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Current Liabilities	\$64,696	\$49,986	\$114,682
Non-current Liabilities	52,518	816,940	869,458
TOTAL LIABILITIES	<u>\$117,214</u>	<u>\$866,926</u>	<u>\$984,140</u>
NET ASSETS			
Investment in capital assets net of related debt	\$370,432	\$1,538,926	\$1,909,358
Restricted	207,567		207,567
Unrestricted	325,657	277,294	602,951
Total Net Assets	<u>\$903,656</u>	<u>\$1,816,220</u>	<u>\$2,719,876</u>

For governmental activities, net assets increased by \$63,388 during the fiscal year. For business-type activities, net assets decreased by \$36,150 during the year.

Results of Operations

The following represents the changes in net assets for both governmental and business-type activities for the year ended March 31, 2005.

	Governmental	Primary Government Business-Type	
REVENUES	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
Program Revenue:			
Charges for services	\$119,927	\$159,995	\$279,922
General Revenue:			
Property taxes	290,800		290,800
Other income	64,133	3,897	68,030
Unrestricted grants	78,274		78,274
Total Revenue	<u>\$553,134</u>	<u>\$163,892</u>	<u>\$717,026</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MARENISCO

	Governmental	Primary Government	
EXPENSES:	<u>Activities</u>	Business-Type	<u>Total</u>
General Government	\$225,610		\$225,610
Public Safety	183,987		183,987
Public Works	34,343		34,343
Recreation and Culture	18,785		18,785
Other Expenses	27,021		27,021
Total Expenses	\$489,746	\$	\$489,746
Business-Type Activities:			
Water & Sewer Expenses		\$200,042	\$200,042
Increase (Decrease) in Net Assets	\$63,388	(\$36,150)	\$27,238
Net Assets, Beginning of Year	840,269	1,852,370	2,692,639
Net Assets, End of Year	\$903,656	\$1,816,220	\$2,719,876

Governmental Activities

Property taxes and other tax revenues comprise \$290,800 or approximately 52 percent of total governmental revenues. The Township also collected \$66,664 for services provided. And, at year end the Township reported \$78,274 in grants not restricted for specific purposes. This amount was due to revenue sharing from the State of Michigan and comprises 18 percent of total governmental revenues.

The Township expended \$506,898 on governmental programs and services. Some of the largest expense categories were for general government and public safety where \$154,773 (29%) and \$196,459 (37%), respectively, were reported.

MANAGEMENT'S DISCUSSION AND ANALYSIS TOWNSHIP OF MARENISCO

Business-Type Activities

Business-type activities decreased the Township's net assets by \$36,150. Charges for services for water and sewer activities for the year were \$159,995 and expenditures amounted to \$200,042.

Financial Analysis of Governmental Funds

As previously noted, the Township uses fund accounting to ensure and demonstrate compliance with finance-related requirement.

Governmental Funds

The focus of the Township's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year. The Township's governmental funds reported combined ending fund balances of \$547,804 of which \$207,567 is reserved and the remaining \$340,237 is available for spending at the government's discretion.

On the budgetary basis of accounting, the Township ended the year with revenue 12% greater than the budget and expenditures 4% less than the budgeted amount. Significant positive revenue variances were recorded for State Shared Revenues and charges for services.

Proprietary Fund

The Township's proprietary fund provides the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net assets of the Water and Sewer Funds as of March 31, 2005 were \$105,384 and \$171,910 respectively.

Capital Assets and Debt Administration

The Township's investment in capital assets, net of accumulated depreciation for its governmental and business-type activities as of March 31, 2005 was \$2,803,942.

Major capital expenditures for governmental funds were for Township's fire equipment, park improvements and various types of equipment.

MANAGEMENT'S DISCUSSION AND ANALYSIS
TOWNSHIP OF MARENISCO

Other Economic Factors and Next Years Budget

Economic Factors

Currently, the State of Michigan is experiencing a severe budgetary crisis. As such, it is anticipated that future state cuts will likely translate into strategic reductions of Township expenses to maintain a sound budget. Despite the poor outlook of the state's budget, the Township will continue to strive to provide good social and cultural conditions that support healthy families and maintain a safe and clean community in which to live.

Request for Information

This financial report is designed to provide a general overview of the Township's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Township Supervisor
Township of Marenisco
314 Hall Street
Marenisco, MI

TOWNSHIP OF MARENISCO
STATEMENT OF NET ASSETS
March 31, 2005

	<u>Government Activities</u>	<u>Business – type Activities</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$89,082	\$177,523	\$266,605
Accounts receivable-net	57,926	28,095	86,021
Delinquent taxes receivable	14,268		14,268
Due from other funds	264,529	2,202	266,731
Accrued interest income	245	391	636
Deferred charges	14,385	6,113	20,498
Inventory (at cost)		5,626	5,626
TOTAL CURRENT ASSETS	\$440,435	\$219,950	\$660,385
RESTRICTED ASSETS:			
Restricted cash	145,606	87,400	233,006
NON-CURRENT ASSETS:			
Capital assets	1,344,892	3,889,764	5,234,656
Accumulated depreciation	(910,063)	(1,523,584)	(2,430,714)
Loan acquisition costs-net		9,616	9,616
TOTAL NON-CURRENT ASSETS	434,829	2,375,796	2,810,625
TOTAL ASSETS	\$1,020,870	\$2,683,146	\$3,704,016
LIABILITIES			
Current Liabilities:			
Accounts payable	\$31,229	\$512	\$31,741
Accrued wages/taxes	7,008	150	7,158
Loan payable		5,930	5,930
Accrued interest payable		2,330	2,330
Due to other funds		16,586	16,586
Customer deposits		10,478	10,478
Current maturity on long-term debt	26,459	14,000	40,459
TOTAL CURRENT LIABILITIES	\$64,696	\$49,986	\$114,682
NON-CURRENT LIABILITIES			
Bonds payable		830,940	830,940
Loans /leases payable	74,362		74,362
Accrued compensated absences	4,615		4,615
Current maturity on long-term debt	(26,459)	(14,000)	(40,459)
TOTAL NON-CURRENT LIABILITIES	\$52,518	\$816,940	\$869,458
TOTAL LIABILITIES	\$117,214	\$866,926	\$984,140
NET ASSETS			
Investment in capital assets, net of related debt	\$370,432	\$1,538,926	\$1,909,358
Reserved	207,567		207,567
Unreserved	325,657	277,294	602,951
TOTAL NET ASSETS	\$903,656	\$1,816,220	\$2,719,876
TOTAL LIABILITIES AND NET ASSETS	\$1,020,870	\$2,683,146	\$3,704,016

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
STATEMENT OF ACTIVITIES
Year Ended MARCH 31, 2005

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>	Net (Expense) Revenue
Governmental Activities			
General government	\$225,610	\$	(\$225,610)
Public safety	183,987	116,124	(67,863)
Public works	34,343	58,112	23,769
Recreation and culture	18,785	5,405	(13,380)
Other	27,021		(27,021)
Total Governmental Activities	<u>\$489,746</u>	<u>\$179,641</u>	<u>(\$310,105)</u>
Business-type Activities			
Water	\$87,152	\$77,500	(9,652)
Sewer	112,890	82,495	(30,395)
Total Business – type Activities	<u>\$200,042</u>	<u>\$159,995</u>	<u>(\$40,047)</u>
Total	<u>\$689,788</u>	<u>\$339,636</u>	<u>(\$350,152)</u>
Changes in Net Assets			
	<u>Governmental Activities</u>	<u>Business – type Activities</u>	<u>Total</u>
Net (Expense) Revenue	(\$310,105)	(\$40,047)	(\$350,152)
General Revenues:			
Property taxes	290,800		290,800
State-Shared revenues	78,274		78,274
Investment income	4,419	3,897	8,316
Transfers			
Total General Revenues and Transfers	<u>\$373,493</u>	<u>\$3,897</u>	<u>\$377,390</u>
Changes in Net Assets	\$63,388	(\$36,150)	\$27,238
Net Assets at Beginning of Year	840,269	1,852,370	2,692,639
Net Assets at End of Year	<u>\$903,656</u>	<u>\$1,816,220</u>	<u>\$2,719,876</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
BALANCE SHEET
GOVERNMENTAL FUNDS
March 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$26,278	\$62,804	\$89,082
Accounts receivable-net	28,703	29,223	57,926
Delinquent taxes receivable	14,268		14,268
Due from other funds	264,529		264,529
Accrued interest income	78	167	245
Deferred charges	13,912	473	14,385
TOTAL CURRENT ASSETS	\$347,768	\$92,667	\$440,435
NON-CURRENT ASSETS			
Restricted cash	145,606		145,606
TOTAL NON-CURRENT ASSETS	145,606		145,606
TOTAL ASSETS	\$493,374	\$92,667	\$586,041
LIABILITIES			
Current Liabilities			
Accounts payable	\$15,623	\$15,606	\$31,229
Accrued wages/taxes	7,008		7,008
TOTAL CURRENT LIABILITIES	\$22,631	\$15,606	\$38,237
TOTAL LIABILITIES	\$22,631	\$15,606	\$38,237
FUND BALANCES			
Reserved	207,567		207,567
Unreserved	263,176	77,061	340,237
TOTAL FUND BALANCES	\$470,743	\$77,061	\$547,804
TOTAL LIABILITIES AND FUND BALANCES	\$493,374	\$92,667	\$586,041

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balances for Governmental Funds	\$547,804
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds, net of accumulated depreciation of:	434,829
Long-term liabilities, compensated absences, are not due and payable in the current period and therefore are not reported in the funds:	(78,977)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$903,656

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

Year ended March 31, 2005

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES:			
Taxes	\$256,974	\$	\$256,974
Other taxes	25,730		25,730
Tax administrative fees	8,096		8,096
Federal shared revenues	28,736		28,736
State shared revenues	100,587	2,214	102,801
Charges for services	33,726	32,938	66,664
Interest	3,600	819	4,419
Donations	5,405	40,250	45,655
Other revenue	14,059		14,059
	<hr/> \$476,913	<hr/> \$76,221	<hr/> \$553,134
EXPENDITURES			
Legislative	\$62,717	\$	\$62,717
General government	154,773		154,773
Public safety	96,877	99,582	196,459
Public works	34,343		34,343
Recreation and culture	36,627		36,627
Other	45,643		45,643
	<hr/> \$430,980	<hr/> \$99,582	<hr/> \$530,562
EXCESS OF REVENUES (EXPENDITURES)	45,933	(23,361)	22,572
OTHER FINANCING SOURCES (USES)			
Transfers to/from other funds	(17,786)	17,786	
EXCESS OF REVENUES EXPENDITURES) AND OTHER FINANCING USES	\$28,147	(\$5,575)	\$22,572
Fund Balance at 3/31/2004	442,596	82,636	525,232
FUND BALANCE MARCH 31, 2005	<hr/> \$470,743	<hr/> \$77,061	<hr/> \$547,804

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
Year ended March 31, 2005

Continued

Reconciliation of the change in fund balances – Total Governmental Funds to the changes in net assets of governmental activities:

Net change in fund balances – Total Governmental Funds	\$22,572
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:

Capital asset purchases capitalized	\$64,680
Depreciation expense	(45,374)

The issuance of long-term debt (loans and leases) provides current financial resources To government funds, while the repayment of principal of long-term debt consumes The current financial resources of government funds. Neither transaction, however, Has any effect on net assets. This amounts is the net effect of these differences in the Treatment of long-term debt and related items.

Principal paid on long-term debt	26,125
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Some expenses reported in the Statement of Activities such as compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

(4,615)

Change in Net Assets of Governmental Activities

\$63,388

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE- BUDGET TO ACTUAL
GENERAL FUND
Year ended March 31, 2005

	Budgeted Amounts			Variance
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	Favorable (Unfavorable)
REVENUES				
Taxes	\$258,000	\$258,000	\$256,974	(\$1,026)
Other taxes	21,099	21,099	25,730	4,631
Tax administrative fees	4,320		8,096	8,096
Federal shared revenues	32,456	32,456	28,736	(3,720)
State shared revenues	58,578	58,578	100,587	42,009
Charges for services	33,851	8,201	33,726	25,525
Interest	1,910	1,910	3,600	1,690
Donations	10	1,482	5,405	3,923
Other revenue	39,047	43,225	14,059	(29,166)
	<u>\$449,181</u>	<u>\$424,951</u>	<u>\$476,913</u>	<u>\$51,962</u>
EXPENDITURES				
Legislative	\$77,920	\$77,920	\$62,717	\$15,203
General government	142,751	142,751	154,773	(12,022)
Public safety	114,105	114,105	96,877	17,228
Public works	15,531	15,531	34,343	(18,812)
Recreation and culture	8,463	8,463	36,627	(28,164)
Other	90,411	90,411	45,643	44,768
	<u>\$449,181</u>	<u>\$449,181</u>	<u>\$430,980</u>	<u>\$18,201</u>
EXCESS OF REVENUES (EXPENDITURES)		(24,230)	45,933	70,163
OTHER FINANCING SOURCES (USES)				
Transfers to/from other funds			(17,786)	(17,786)
EXCESS OF REVENUES EXPENDITURES AND OTHER FINANCING USES		(\$24,230)	\$28,147	\$52,377
Fund Balance at 3/31/2004	442,596	442,596	442,596	
FUND BALANCE MARCH 31, 2005	<u>\$442,596</u>	<u>\$418,366</u>	<u>\$470,743</u>	<u>\$52,377</u>

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
March 31, 2005

	Business type Activities- Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$74,114	\$103,409	\$177,523
Accounts receivable-net	10,675	17,420	28,095
Due from other funds	815	1,387	2,202
Accrued interest income		391	391
Deferred charges	3,323	2,790	6,113
Inventory (at cost)	5,129	497	5,626
Total Current Assets	\$94,056	\$125,894	\$219,950
RESTRICTED ASSETS:			
Cash	31,000	56,400	87,400
Total Restricted Assets	31,000	56,400	87,400
NONCURRENT ASSETS:			
Property, plant and equipment	1,426,865	2,462,899	3,889,764
Accumulated depreciation	(495,444)	(1,028,140)	(1,523,584)
Loan acquisition costs-net	5,522	4,094	9,616
Total Non-Current Assets	936,943	1,438,853	2,375,796
TOTAL ASSETS	\$1,061,999	\$1,621,147	\$2,683,146
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$272	\$240	\$512
Accrued wages/taxes	100	50	150
Loan payable	5,930		5,930
Accrued interest payable	174	2,156	2,330
Due to other funds	8,648	7,938	16,586
Customer deposits	10,478		10,478
Current maturity on long-term debt	6,000	8,000	14,000
Total Current Liabilities	\$31,602	\$18,384	\$49,986
LONG TERM LIABILITIES			
Revenue bonds payable	380,000	450,940	830,940
Less current maturity on long-term debt	(6,000)	(8,000)	(14,000)
TOTAL LIABILITIES	405,602	461,324	866,926
NET ASSETS:			
Investment in capital assets, net of related debt	551,013	987,913	1,538,926
Unreserved	105,384	171,910	277,294
TOTAL NET ASSETS	\$656,397	\$1,159,823	\$1,816,220
TOTAL LIABILITIES AND NET ASSETS	\$1,061,999	\$1,621,147	\$2,683,146

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN
NET ASSETS - PROPRIETARY FUNDS TYPE
Year ended March 31, 2005

Business type Activities - Enterprise Funds			
	<u>Water Fund</u>	<u>Sewer Funds</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$73,018	\$81,054	\$154,072
Other revenues	4,482	1,441	5,923
Total Operating Revenues	\$77,500	\$82,495	\$159,995
Operating expenses:			
Wages and benefits	\$9,462	\$13,989	\$23,451
Water purchased/contract cost	2,486	800	3,286
Provision for depreciation/amortization	35,268	57,758	93,026
Operating supplies/maintenance	4,387	3,465	7,852
Utilities	3,722	2,604	6,326
Insurance	6,127	5,513	11,640
Administration	565	630	1,195
Professional fees	1,600	1,600	3,200
Miscellaneous	304	310	614
Total Operating Expenses	\$63,921	\$86,669	\$150,590
Operating income (loss)	\$13,579	(\$4,174)	\$9,405
Non-operating revenues (expenses)			
Interest income	1,123	2,774	3,897
Interest expense	(23,231)	(26,221)	(49,452)
Net Income (loss) before Transfers	(\$8,529)	(\$27,621)	(\$36,150)
Change in Net Assets	(\$8,529)	(\$27,621)	(\$36,150)
Net Assets - March 31, 2004	664,926	1,187,444	1,852,370
NET ASSETS - MARCH 31, 2005	\$656,397	\$1,159,823	\$1,816,220

The accompanying notes are an integral part of the financial statements.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS TYPES
 TOWNSHIP OF MARENISCO
 Year ended March 31, 2005

	Business type Activities - Enterprise Funds		
	<u>Water</u>	<u>Sewer</u>	<u>Totals</u>
Cash flows from operating activities:			
Income from operations	\$13,579	(\$4,174)	\$9,405
Adjustments to reconcile income from operations to net cash Provided by operating activities:			
Depreciation/amortization	35,268	57,758	93,026
(Increase) decrease in:			
Accounts receivable	2,864	(2,538)	326
Due from other funds	(815)	10,716	9,901
Prepaid insurance	(280)	57	(223)
Accrued interest income		41	41
Inventory	915	551	1,466
Increase (decrease) in:			
Accounts payable	(3,299)	(3,669)	(6,968)
Customer deposit	884		884
Due to other funds	(13,407)	(1,632)	(15,039)
Accrued interest payable	(177)	(34)	(211)
Total adjustments	21,953	61,250	83,203
Net Cash Provided by Operating Activities	\$35,532	\$57,076	\$92,608
Cash flows from capital and related Financing activities:			
Revenue bonds principal paid	(11,562)	(7,000)	(18,562)
Interest paid	(23,231)	(26,221)	(49,452)
Net cash provided (used) for capital and related financing activities	(\$34,793)	(\$33,221)	(\$68,014)
Cash flows from investment activities:			
Interest income	\$1,123	\$2,774	\$3,897
Net increase (decrease) in cash and cash equivalents	\$1,862	\$26,629	\$28,491
Cash and Cash Equivalents, March 31, 2004	103,252	133,180	236,432
Cash and Cash Equivalents, March 31, 2005	\$105,114	\$159,809	\$264,923

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
Year ended March 31, 2005

Agency Funds			
	Tax Collection Fund	Pension Fund	Totals
ASSETS			
Cash and cash equivalents	\$324,653	\$43,481	\$368,134
TOTAL ASSETS	\$324,653	\$43,481	\$368,134
LIABILITIES			
Due to Township	\$250,145	\$	\$250,145
Due to County	74,508		74,508
TOTAL LIABILITIES	\$324,653	\$	\$324,653
NET ASSETS			
Held in trust for pension benefits		\$43,481	\$43,481
TOTAL NET ASSETS		\$43,481	\$43,481
TOTAL LIABILITIES AND NET ASSETS	\$324,653	\$43,481	\$368,134

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
PENSION FUND
Year ended March 31, 2005

		Agency Funds
<hr/>		
	ADDITIONS	
Contributions		\$6,186
Interest income		2,268
	TOTAL ADDITIONS	<hr/> \$8,454
	DEDUCTIONS	
Benefits		<hr/> \$40,094
Changes in Net Assets		(31,640)
Net Assets at Beginning of Year		<hr/> 75,121
Net Assets at End of Year		<hr/> <hr/> \$43,481

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General Statement

The Township of Marenisco operates with an elected board of trustees, which includes a supervisor, clerk and treasurer. The Township provides to its residents, services in many areas including public safety, highways and streets, sanitation, culture and recreation, planning and zoning, and general administrative services.

The Township complies with generally accepted accounting principles (GAAP). GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. In the government-wide financial statements and the fund financial statements for the proprietary funds. Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. For enterprise funds, GASB Statement Nos. 20 and 34 provide the Township the option of electing to apply FASB pronouncements issued after November 30, 1989. The Township has elected not to apply those pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. For the fiscal year ended March 31, 2005, the Township implemented the new financial reporting requirement of GASB Statement No. 34. As a result, an entirely new financial presentation format has been implemented.

Reporting Entity

In accordance with generally accepted accounting principles and Governmental Accounting Standards Board (GASB) Statement No. 14 "The Financial Reporting Entity", these financial statements present the Local Unit (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included. Based on these criteria, the Township has no component units.

Basis of Presentation

The Statement of Net Assets and Statement of Activities display information about the reporting as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods and services.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Fund Financial Statements:

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditure/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. An emphasis is place on major funds within the governmental and proprietary categories. A fund is considered major if its the primary operating fund of the Township or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds in that category or type; and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

General Fund - is the primary operating fund of the Township and always classified as a major fund. . This fund is used to account for all financial resources except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for certain purposes.

PROPRIETARY FUNDS

Enterprise Funds - Enterprise Funds report operations that provide services, which are financed primarily by user charges, or activities where periodic measurement of net income is appropriate for capital maintenance, public policy, management control or other purposes. The funds are used to account for utility operations in a manner similar to private business enterprises. The intent of the Township is to recover operating expenses, including depreciation, through user charges.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

FIDUCIARY FUND TYPE (Not included in government-wide statements)

Agency Funds - These funds are used to account for assets held by the Township in a trustee capacity or as an agent for other governments and/or other funds. They include the Tax Collection Fund and the Pension Fund. These funds are custodial in nature and do not involve measurement of results of operations. The Pension Fund is a trust fund used to account for the accumulation of resources deposited into a defined contribution pension plan payable to retired employees.

MAJOR AND NONMAJOR FUNDS

The governmental and enterprise funds of the Township are further classified as major and nonmajor funds as follows:

<u>Fund</u>	<u>Brief Description</u>
<u>MAJOR FUNDS</u>	
1. General	See above for description.
2. Water	Account for revenues and expenses of providing water services to the public.
3. Sewer	Account for revenues and expenses of providing sewer services to the public.
<u>NONMAJOR FUNDS</u>	
4. Ambulance	Account for revenues and expenditures of ambulance operations.
5. Liquor Law Enforcement	Account for enforcement of compliance with liquor law operations.
6. Fire	Account for two separate fire department operations.
7. Building Inspection	Account for building inspection fees charged and related costs incurred.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Measurement Focus

On the government-wide Statement of Net Assets and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the "current financial resources" measurement focus or the "economic resources" measurement focus is used as appropriate:

- a. All governmental funds utilize a "current financial resources" measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary funds utilize an "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Proprietary fund equity is classified as net assets.

Basis of Accounting

In the government-wide Statement of Net Assets and Statement of Activities, both governmental and business-like activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when "measurable and available." Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for general obligation bond principal and interest which are reported when due.

All proprietary funds utilize the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic assets used.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

ASSETS, LIABILITIES, AND EQUITY

Cash and Investments

For the purpose of the Statement of Net Assets, "cash, including time deposits" includes all demand, savings accounts, and certificates of deposits of the Township. For the purpose of the proprietary fund Statement of Cash Flows, "cash and cash equivalents" include all demand and savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as "due to and from other funds." Short-term interfund loans are reported as "interfund receivables and payables." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the government-wide financial statements. Exceptions to this general rule are charges between the government's water and sewer functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned. See Note H for details of interfund transactions, including receivables and payable at year-end.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include sales and use taxes; grant fund receivables; delinquent real property taxes; tax administrative fees and ambulance transport fees. With the exception of the ambulance transport fees, no allowance for uncollectible accounts has been recognized. Business-type activities report utilities earnings as their major receivables.

In the fund financial statements, material receivables in governmental funds include service revenue accruals since they are usually both measurable and available. Interest and investment earnings are recorded when accrued. Proprietary fund material receivables consist of all revenues earned at year-end and not yet received. Utility accounts receivable compose the majority of proprietary fund receivables. Delinquent account balances can be placed on tax rolls and can be a lien against real property. Receivables are considered fully collectable with the exception of contested connection fees incurred in prior years.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Inventories

Inventories of Governmental Fund types operating supplies are considered to be immaterial and are not recognized, whereas, Proprietary Fund Types are valued at cost and inventory is taken at year end by Township's representatives.

Fixed Assets

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with initial individual costs of \$1,500 and \$100 and an estimated life in excess of two years for governmental funds and proprietary funds, respectively. All fixed assets are valued at historical costs or estimated cost, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets for governmental funds. Depreciation of exhaustible fixed assets used by proprietary funds is charged as an expense against operations, and accumulated depreciation is reported on the proprietary funds' statement of net assets. Depreciation has been provided over the useful lives using the straight-line method of depreciation. Depreciation on assets acquired by grants externally restricted for capital construction is accounted for as a reduction of contributed capital rather than as a decrease in retained earnings.

Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

The estimated useful lives for each major class of depreciable fixed assets are as follows:

Utility Plant	40-50 Years
Buildings	40-50 Years
Land improvements	20 Years
Equipment	5-10 Years
Vehicles	5 Years

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Restricted Assets

Proprietary Fund Types Funds, because of certain bond covenants, are required to establish and maintain prescribed amounts of cash that can be used only to service outstanding debt and to pay for repairs and maintenance of the utility systems. The Township has deposited monies to meet the minimal amounts required per covenants.

The Governmental Fund has designated monies for future road/sidewalk repairs/replacements; recreation and future cemetery care.

Long-term Debt

The accounting treatment of long-term debt depends on whether the assets are used in governmental fund operations of proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes payables; lease purchase agreements; lease commitments and accrued compensated absences. Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principle and interest reported as expenditures. The accounting for proprietary fund is the same in the fund statements as it is in the government-wide statements.

Property Taxes

Property taxes attach as an enforceable lien on property as of December 31. Taxes are levied on the ensuing December 1. The Township bills and collects its own property taxes and also collects current rolls for the County and School District. The Township records delinquent real property taxes as revenue upon levy; since the County will sell tax notes and remits monies to the various units of government shortly after year end.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Budgets

The Township follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Prior to April 1, the proposed budget for each budgetary fund is submitted to the Township Board for consideration. The operating budget includes proposed expenditures and the means of financing them.
2. A public hearing is held at the annual Township Board meeting to obtain taxpayers comments.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted prior to the fiscal year by the majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. Any revisions to the budgeted amounts must be approved by a majority vote of the Township Board.
7. Budget appropriations lapse at the end of each fiscal year.
8. Budgeted amounts presented in the financial statements are as originally adopted and amended by the Township Board.

Formal budgets for special revenue funds were not available whereas, budgets are not required for the operations of the Proprietary Fund types.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Interest Expense

Interest on bonded indebtedness is recorded as expenditure as accrued.

Interest Receivables

Interest on investments is recorded as revenue in the year the interest is earned and is available to pay liabilities of the current period.

Due to and Due from Other Funds

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

NOTE B - CASH

Statutes authorize the Township to deposit cash in financial institutions covered by federal depository insurance and to invest in obligations of the United States Treasury, agencies and instrumentalities; commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services: United States government or agency obligation repurchases agreements; bankers' acceptances of United States banks; certain mutual funds and certain common stocks. All accounts are in the name of the Township and the Township holds certificates of deposit. They are recorded in the Township records at cost. Interest is recorded when the interest is accrued. Certificates of Deposit are recorded at cost, which approximates market value.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Following is a summary of the carrying amount of cash at March 31, 2005:

Cash deposited in banks insured by federal depository insurance	\$461,957
Cash on hand	68
Funds in excess of insurance limits	428,656
Less outstanding items	<u>(22,936)</u>
Total	<u>\$867,745</u>

Pension Trust Fund investments of \$43,481 were invested entirely in annuity contracts in accordance with State of Michigan statutes. Market value of \$43,481 as of March 31, 2005 approximates carrying value. The investments are not subject to categorization of credit risk.

NOTE C - RECEIVABLES

Accounts receivable and related allowances for uncollectible are as follows:

<u>Fund</u>	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
General Fund	\$42,971	\$	\$42,971
Water Fund	\$12,324	\$1,649	\$10,675
Sewer Fund	\$17,420	\$	\$17,420
SRF-Ambulance Fund	\$54,611	\$25,388	\$29,223

General Fund - generally consists of delinquent tax monies and administrative fees; reimbursable preliminary engineering fees from an Anvil Project; and solid waste disposal fees.

Proprietary Funds - customer unpaid balances. Trade accounts receivable were comprised of the following at March 31, 2005.

Customer billing for the month ended March 2005	\$10,450
Delinquent billings	<u>19,294</u>
Total	<u>\$29,744</u>

Delinquent account balances are placed on tax rolls and can be a lien against real property. Receivables are considered to be fully collectible with the exception of previous years contested connection fees.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE D - SUMMARY OF TAX ROLL

Following is a summary of the 2004 property tax roll:

	<u>Levy</u>	<u>Taxes Returned Delinquent</u>	<u>Net Tax Collected</u>
Real/Personal Property taxes:			
County	\$454,796	\$24,400	\$430,396
School/SET	617,246	19,678	597,568
Township	257,188	13,655	243,533
CFR	61,926	121	61,805
Delinquent utilities	10,334	8,132	2,202
Totals:	<u>\$1,401,490</u>	<u>\$65,986</u>	<u>\$1,335,504</u>
Taxable Valuation			
Homestead	\$8,554,574		
Non-homestead	<u>23,613,642</u>		
Total	<u>\$32,168,216</u>		

NOTE E - DELINQUENT TAX RECEIVABLE

The County of Gogebic purchases the delinquent real property taxes of the Township for the 2004 levied. The County intends to sell tax notes, the proceeds of which will be used to pay the Township for these delinquent taxes shortly after yearend. The delinquent real property taxes are recorded as current year tax revenues.

NOTE F - PUBLIC ACT 275 OF 1980 DISCLOSURE

The Township had no deficits in any funds as of March 31, 2005, which would require specific disclosure.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE H - INTERFUND RECEIVABLES AND PAYABLE

The amounts of interfund receivables and payable at March 31, 2005, are as follows:

<u>Funds</u>	<u>Interfund Receivable</u>	<u>Funds</u>	<u>Interfund Payable</u>
General Fund-		Water Fund-	
Water Fund	\$8,648	General Fund	\$8,648
Tax Fund	247,943	Tax Fund-	
Sewer Fund	7,938	General Fund	247,943
Sewer-		Sewer Fund	1,387
Tax	1,387	Water Fund	815
Water-		Sewer Fund-	
Tax	815	General Fund	7,938
TOTALS	<u>\$266,731</u>		<u>\$266,731</u>

NOTE I - CAPITAL ASSETS

A summary of changes in general fixed assets follow:

Governmental Activities	Balance at <u>March 31, 2004</u>	<u>Additions</u>	<u>Deletions</u>	Balance at <u>March 31, 2005</u>
Capital Assets not Depreciated				
Land	\$57,865	\$	\$	\$57,865
Capital Assets being Depreciated				
Buildings and improvements	664,488	2,550		667,038
Equipment and furniture	128,244	27,487		155,731
Vehicles	429,615	34,643		464,258
Subtotals	<u>\$1,222,347</u>	<u>\$64,680</u>	<u>\$</u>	<u>\$1,287,027</u>

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

Governmental Activities	Balance at March 31, 2004	Additions	Deletions	Balance at March 31, 2005
Less Accumulated Depreciation for:				
Building and improvements	(\$439,931)	(\$6,262)	\$	(\$446,193)
Equipment and furniture	(89,628)	(9,192)		(98,820)
Vehicles	(335,130)	(29,920)		(365,050)
Subtotals	(\$864,689)	(\$45,374)	\$	(\$910,063)
Net Capital Assets Being Depreciated	\$357,658	\$19,306		\$376,964
Governmental Activities Capital	\$415,523	\$19,306	\$	\$434,829
Total Capital Assets-Net of Depreciation				

NOTE J - ENTERPRISE FUNDS – CAPITAL ASSETS

A summary of proprietary fund type property, plant and equipment at March 31, 2005 follows:

Business-Type Activities	Balance at March 31, 2004	Additions	Deletions	Balance at March 31, 2005
Capital Assets not Depreciated				
Land and land rights	\$57,908	\$	\$	\$57,908
Capital Assets being Depreciated				
Equipment	187,520			187,520
Utility plant	3,644,336			3,644,336
Subtotals	\$3,831,856	\$	\$	\$3,831,856
Less Accumulated Depreciation for Equipment and Utility plant	(1,430,946)	(92,638)		(1,523,584)
Net Capital Assets Being Depreciated	\$2,400,910			\$2,308,272
Governmental Activities Capital	\$2,458,818	(\$92,638)	\$	\$2,366,180
Total Capital Assets-Net of Depreciation				

Depreciation is computed using the straight-line method.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE K – LIQUOR LICENSE REBATES

Liquor license monies totaling \$2,214 were received during the year and were transferred to the General Fund and used to support operations of the police department.

NOTE L – ACCOUNTS PAYABLE

The General Fund's accounts payable were for normal expenditures. The Special Revenue Fund, Ambulance Fund, was for shared transport fees on clients transported. The Proprietary Fund account payable balances were for normal expenditures at year-end.

NOTE M – ENTERPRISE FUNDS - REVENUE BONDS

The Township of Marenisco, Michigan adopted an ordinance on March 14, 1988, authorizing the issuance of a Sewage Disposal System Revenue Bond, dated March 1, 1988.

The bond consists of one single fully registered bond of \$419,000 and was purchased by Rural Economic and community Development Services. The bond bears an interest rate of 6% per year. Interest is payable on March 1, and September 1, and principal is payable each march 1 until maturity in the year 2028. Principal and interest are payable from the net revenues derived from operation of the sewage system.

At March 31, 2005, the bond principal and payments were current. The principal balance outstanding of \$372,000 is accounted for as a liability of the Waste Water Utility Fund.

Debt service charges until maturity are:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$7,000	\$22,320	\$29,320
2007	7,000	21,900	28,900
2008	8,000	21,480	29,480
2009	9,000	21,000	30,000
2010	10,000	20,460	30,460
2011	11,000	19,860	30,860
2012	11,000	19,200	30,200
2013	12,000	18,540	30,540
2014	13,000	17,820	30,820
2015	13,000	17,040	30,040
2016	14,000	16,260	30,260

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	15,000	15,420	30,420
2018	16,000	14,520	30,520
2019	17,000	13,560	30,560
2020	18,000	12,540	30,540
2021	19,000	11,460	30,460
2022	20,000	10,320	30,320
2023	22,000	9,120	31,120
2024	23,000	7,800	30,800
2025	24,000	6,420	30,420
2026	26,000	4,980	30,980
2027	28,000	3,420	31,420
2028	29,000	1,740	30,740
	<u>\$372,000</u>	<u>\$327,180</u>	<u>\$699,180</u>

The Township of Marenisco, Michigan, adopted an ordinance on October 9, 1995, authorizing the issuance of a Sewage Disposal System Junior Lien Revenue Bond.

The bond consists of one single fully registered bond of \$88,000 and was purchased by Rural Economic and Community Development Services. The bond bears an interest rate of 4.5% per year. Interest is payable on March 1 and September 1, and principal is payable each September 1 until maturity in the year 2035. Principal and interest are payable from the net revenues derived from operation of the sewage system.

At March 31, 2005, the bond principal and interest payments were current. The principal balance of \$79,940 is accounted for as a liability of the Waste Water Utility Fund.

Debt service charges until maturity are as follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$1,000	\$3,532	\$4,532
2007	2,000	3,465	5,465
2008	2,000	3,375	5,375
2009	2,000	3,285	5,285
2010	2,000	3,195	5,195
2011	2,000	3,105	5,105
2012	2,000	3,015	5,015
2013	2,000	2,925	4,925
2014	2,000	2,835	4,835
2015	2,000	2,745	4,745
2016	2,000	2,655	4,655

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	2,000	2,565	4,565
2018	2,000	2,475	4,475
2019	3,000	2,363	5,363
2020	3,000	2,227	5,227
2021	3,000	2,092	5,092
2022	3,000	1,958	4,958
2023	3,000	1,823	4,823
2024	3,000	1,687	4,687
2025	3,000	1,553	4,553
2026	3,000	1,417	4,417
2027	3,000	1,283	4,283
2028	3,000	1,147	4,147
2029	3,000	1,012	4,012
2030	3,000	878	3,878
2031	3,000	743	3,743
2032	3,000	607	3,607
2033	3,000	473	3,473
2034	3,000	337	3,337
2035	3,000	203	3,203
2036	2,940	68	3,008
	<u>\$78,940</u>	<u>\$61,043</u>	<u>\$139,983</u>

The Township of Marenisco, Michigan adopted an ordinance on April 8, 1991, authorizing the issuance of a Water System Revenue Bond, dated April 30, 1991.

The bond consists of one single fully registered bond of \$435,000 and was purchased by Rural Economic and Community Development Services. The bonds bear an interest rate of 5.875% per year. Interest is payable on April 1 and October 1, and principal is payable each April 1 until maturity in the year 2032. Principal and interest are payable from the net revenues derived from operation of the water system.

At March 31, 2005, the bond principal and interest payments were current. The principal balance of \$380,000 is accounted for as a liability of the Water Utility Fund.

Debt service charges until maturity are:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$6,000	\$22,501	\$28,501
2007	6,000	22,149	28,149
2008	7,000	21,767	28,767
2009	7,000	21,356	28,356
2010	8,000	20,915	28,915
2011	8,000	20,445	28,445

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	8,000	19,975	27,975
2013	9,000	19,476	28,476
2014	10,000	18,917	28,917
2015	10,000	18,330	28,330
2016	11,000	17,713	28,713
2017	12,000	17,037	29,037
2018	12,000	16,332	28,332
2019	13,000	15,598	28,598
2020	14,000	14,805	28,805
2021	15,000	13,953	28,953
2022	16,000	13,043	29,043
2023	17,000	12,073	29,073
2024	18,000	11,045	29,045
2025	20,000	9,929	29,929
2026	21,000	8,724	29,724
2027	22,000	7,461	29,461
2028	24,000	6,110	30,110
2029	25,000	4,671	29,671
2030	27,000	3,143	30,143
2031	29,000	1,498	30,498
2032	5,000	323	5,323
	<u>\$380,000</u>	<u>\$379,289</u>	<u>\$759,289</u>

NOTE N – LONG-TERM DEBT

A summary of the changes in general long-term debt follows:

	<u>Balance at April 1, 2004</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at March 31, 2005</u>
Capital lease payables	\$55,487	\$	\$11,125	\$44,362
Installment loan	45,000		15,000	30,000
Payable				
Accrued leave benefits	4,046	569		4,615
	<u>\$104,533</u>	<u>\$569</u>	<u>\$26,125</u>	<u>\$78,977</u>

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

On February 15, 2000, the Township entered into an operating lease with Xerox Corporation for the use of a copier for a term of five years. The Township agreed to make monthly payments of \$301.82 for the term of five years. A lease purchase agreement was entered into on October 31, 2003 with Oshkosh Capital in the acquisition of an ambulance. The agreement is secured by the ambulance and bears an interest rate of 4.05%. Payments are to be made in 5 annual installment of \$9323.85 beginning in November 2004 plus accrued interest beginning on October 31, 2003. Minimum lease payments due on the above contracts are as follows:

<u>Year Ending March 31,</u>	<u>Ambulance Lease</u>		<u>Copier Lease</u>	<u>Totals</u>
	Payments	Principal		
2006	\$9,323.85	\$7,837	\$3,622	\$11,459
2007	9,323.85	8,185	3,622	11,807
2008	9,323.85	8,548	3,621	12,169
2009	9,323.85	8,927		8,927
	\$37,295.40	\$33,497	\$10,865	\$44,362

On October 29, 1996, the Township of Marenisco entered into an unsecured installment loan agreement with National City Bank – Michigan, for \$150,000 bearing an interest rate of 70% of the prime rate, to finance the construction of a fire hall. Payments are to be made in nine annual installments of \$15,000 plus accrued interest beginning on May 1, 1997, with the final installment of the unpaid principal due on May 1, 2006. Interest rate in effect at March 31, 2005 was 2.975%

A summary of initial agreed upon annual principal and interest requirements to maturity follows:

<u>Year Ending March 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$15,000	\$1,785	\$16,785
2007	15,000	893	15,893
	\$30,000	\$2,678	\$32,678

The Township has contractual employment agreements with three employees, which will entitle each employee to accumulate time up to their annual anniversary hire date. The agreements provide:

After one (1) year	Five (5) days
After two (2) years	Ten (10) days
After four (4) years	Fifteen (15) days
After eight (8) years	Twenty (20) days
After fifteen (15) years	Twenty-five (25) days

The Township leave policy allows employee's to redeem the lesser of \$2,000 or actual leave time after 10 years of employment upon retirement. One employee has obtained the \$2,000 level.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

The General Fund has an accrued leave benefit liability of \$4,615, which is reflected on the general-long term debt. The accrued benefits for the Enterprise Funds are immaterial and are not recognized in the financial statements.

NOTE N – DEFINED CONTRIBUTION PENSION PLAN

Effective September 9, 1993, the Township adopted a defined contribution pension plan, administered by Prudential Investment Management Service LCC, which provides pension benefits for Township employees, not elected official, who have attained the age of 21 but are not more than 65 years old. Employees are eligible to participate after twelve months of service, retroactive to January 1, 1993, provided 1,000 hours of service are performed in each twelve-month period. The Township is required to contribute an amount equal to 10% of the employee's base salary each year. The Township's contribution for each employee and investment earnings allocated to the employee's account are fully vested after five years. Normal retirement age is 65 with no provision for an early retirement.

The Township's total payroll for the fiscal year ended March 31, 2005 was \$147,632. The Township's contributions were calculated using the base salary amount of \$61,860. The Township's contribution amounted to \$6,186 on behalf of three employees for the year ended March 31, 2005. The carrying value of the securities is \$43,481, which approximates market price as of March 31, 2005.

NOTE O – CHANGES IN LONG-TERM DEBT

	Balance 3/31/04	Additions	Deductions	Balance 3/31/05
Proprietary Funds	\$849,502	\$ _____	\$18,562	\$830,940
General LT Debt	\$104,533	\$ 569	\$26,125	\$ 78,977

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE P – SEGMENT INFORMATION FOR ENTERPRISE FUNDS

The Township provides water and sewage services through two enterprise funds. Segment information as of March 31, 2005, follows:

	<u>Water Utility Fund</u>	<u>Sewer Utility Fund</u>	<u>Totals</u>
Operating revenues	\$77,500	\$82,495	\$159,995
Depreciation/amortized expense	\$35,268	\$57,758	\$93,026
Operating income (loss)	\$13,579	(\$4,174)	\$9,405
Restrictive donations/grants	0	0	0
Operating transfers	0	0	0
Tax revenues	0	0	0
Increase (decrease) in Net Asset	(\$8,529)	(\$27,621)	(\$36,150)
Current capital contribution	0	0	0
Increase (decrease) in Fixed assets	0	0	0
Long-term debt payable from operating revenues	\$380,000	\$450,940	\$830,940
Net Assets			
Unreserved (deficit)	\$105,384	\$171,910	\$277,294

NOTE Q – RISK MANAGEMENT

The Township is exposed to various risks of losses related to torts; theft or, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Township has obtained coverage from commercial insurance companies. The Township has comprehensive general liability coverage of \$2,000,000 per occurrence and a \$4,000,000 aggregate limit, with no deductible amount.

All risk management activities are accounted for in the General Fund, Special Revenue Funds and Enterprise Funds of the Township. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

The Township has been notified of pending tax appeal which may require the Township to issue a refund for taxes collected for prior years. The Utility Company is contesting property tax valuations concerning their utility assets are awaiting a hearing. Management and its representatives are unable to evaluate whether an unfavorable outcome may occur and to what extent.

Management estimates that the amount of actual or potential claims against the Township as of March 31, 2005, will not materially affect the financial condition of the Township. Therefore, the General Fund contains no provision for estimated claims. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past five years.

NOTE R – RESTRICTED FUND AND CASH BALANCES

The Township has designated the General Fund balance for various activities as follows:

Road repairs and improvements	\$205,095
Recreation equipment	585
Cemetery perpetual care	1,887
Totals	<u>\$207,567</u>

The General Fund has several restricted cash accounts with \$145,606 set aside towards fully funding the restricted fund balance. The Proprietary Funds have established and funded (\$87,400) various cash accounts in fulfilling various bond covenant agreements.

NOTE S – LIMITED TAX GENERAL OBLIGATION

The Township has entered into a contract with the Gogebic Range Solid Waste Management Authority whereby the Township has agreed to pay 7.5% of the principal and interest due on the \$100,000 of debt issued in 1988 and outstanding as of June 30, 2002. The Authority received loan approval in the amount of \$476,000 through USDA-RDA. The Authority used part of the loan proceeds to be used to retire the outstanding debt plus finance facility and equipment improvements. The Township has pledged its limited tax full faith and credit for the prompt and timely payment of its share of obligation outstanding (not less than 7.5% or more than 8%). Not all the loan proceeds have been drawn down as of June 30, 2004.

It is anticipated that the Authority will establish adequate rates to meet their current and future operating and debt retirement expenditures. The Township has not participated in past debt payments.

TOWNSHIP OF MARENISCO
NOTES TO FINANCIAL STATEMENTS
March 31, 2005

NOTE T- BUDGET AND BUDGETARY COMPLIANCE

In the body of the financial statements, the Township of Marenisco's actual expenditures exceeded budgeted funds resulting in cost overages per functional basis. PA 621 provides guidance in that whenever anticipated expenditures appear to be exceeding budgeted costs centers per function, a budget revision needs to be undertaken. Refer to page 16 to illustrate the Governmental Fund – General Fund. Furthermore, non-major funds type formal budgets were not adopted as required.

REQUIRED SUPPLEMENTAL
FINANCIAL INFORMATION

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF REVENUES AND OTHER FINANCING SOURCES
BUDGET AND ACTUAL
Year ended March 31, 2005

REVENUES	<u>Budgeted Amounts</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Current property taxes	\$258,000	\$258,000	\$256,974	(\$1,026)
Delinquent property taxes			52	52
Commercial forest reserve	21,099	21,099	24,968	3,869
Swamp taxes			710	710
Tax administrative fees	4,230		8,096	8,096
Total taxes	\$283,329	\$279,099	\$290,800	\$11,701
State shared revenues	58,578	58,578	100,587	42,009
Federal shared revenues	32,456	32,456	28,736	(3,720)
Charges for services	33,851	8,201	33,726	25,525
Reimbursements	1,482	794	8,387	7,593
Miscellaneous	37,565	42,431	5,672	(36,759)
Donations	10	1,482	5,405	3,923
Interest income	1,910	1,910	3,600	1,690
TOTAL REVENUES	\$449,181	\$424,951	\$476,913	\$51,962
Other financing sources-Transfer from other funds			2,214	2,214
TOTAL REVENUES AND OTHER FINANCING SOURCE	\$449,181	\$424,951	\$479,127	\$54,176

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
LEGISLATIVE				
Township Board:				
Salaries			\$9,284	
Office supplies			11,563	
Communications			3,854	
Professional fees			1,176	
Transportation			1,187	
Printing and publications			806	
Insurance			27,108	
Dues			1,353	
Miscellaneous			2,375	
Equipment			4,011	
TOTAL LEGISLATIVE	\$77,920	\$77,920	\$62,717	\$15,203
 General Government:				
Supervisor:				
Salaries			\$8,891	
Per Diem			600	
Transportation			539	
Miscellaneous			119	
TOTAL SUPERVISOR	\$9,552	\$9,552	\$10,149	(\$597)
 ELECTION	\$	\$	\$1,058	(\$1,058)
 ATTORNEY	\$2,933	\$2,933	\$3,114	(\$181)

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Assessor:				
Contractual costs			\$13,239	
Miscellaneous				
TOTAL ASSESSOR	\$8,475	\$8,475	\$13,239	(\$4,764)
Clerk:				
Salary			\$6,027	
Transportation			142	
Professional fees			5,200	
Other			335	
TOTAL CLERK	\$12,442	\$12,442	\$11,704	\$738
TOTAL BOARD OF REVIEW	\$177	\$177	\$598	(\$421)
Treasurer:				
Salary			\$7,731	
Per Diem			205	
Supplies			420	
Transportation			1,267	
Contract cost			3,330	
Miscellaneous			16	
TOTAL TREASURER	\$13,400	\$13,400	\$12,969	\$431
Cemetery:				
Wages			\$723	
Supplies			613	
TOTAL CEMETERY	\$1,500	\$1,500	\$1,336	\$164

The accompanying notes are an integral part of the financial statements

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
Township Properties:				
Wages			\$41,139	
Fringe benefits			20,249	
Supplies			13,487	
Communications			836	
Utilities			13,005	
Repairs & maintenance			9,364	
Miscellaneous			327	
Capital improvements			2,199	
	\$94,272	\$94,272	\$100,606	(\$6,334)
TOTAL GENERAL GOVERNMENT	\$142,751	\$142,751	\$154,773	(\$12,022)
Police:				
Wages			\$47,020	
Fringe benefits			16,462	
Supplies			4,066	
Communications			1,263	
Miscellaneous			293	
TOTAL POLICE PROTECTION	\$56,371	\$56,371	\$69,104	(\$12,733)
Fire and Ambulance:				
Insurance			\$6,332	
Hydrant rental			9,714	
Contract services				
Communications			3,187	
Miscellaneous			1,109	
TOTAL FIRE PROTECTION	\$43,000	\$43,000	\$20,342	\$22,658

The accompanying notes are an integral part of the financial statements.

TOWNSHIP OF MARENISCO
MAJOR GOVERNMENTAL FUNDS
GENERAL FUND
DETAIL OF EXPENDITURES AND COMPARISON WITH BUDGET

Year ended March 31, 2005

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		
INSPECTIONS	\$6,771	\$6,771	\$3,885	\$2,886
ZONING	\$7,963	\$7,963	\$3,546	\$4,417
TOTAL PUBLIC SAFETY	\$114,105	\$114,105	\$96,877	\$17,228
Streets and Roads			\$17,444	
Street lights			7,954	
Sanitation			8,945	
TOTAL PUBLIC WORKS	\$15,531	\$15,531	\$34,343	(\$18,812)
Recreation and Culture:				
Parks:				
Wages			\$2,000	
Supplies			850	
Utilities			85	
Miscellaneous			4,887	
Capitol Improvements			28,805	
TOTAL RECREATION & CULTURE	\$8,463	\$8,463	\$36,627	(\$28,164)
OTHER				
Payroll taxes			\$16,974	
Other				
Contributions			7,738	
Debt service			19,931	
Economic development			1,000	
Contingency				
TOTAL OTHER	\$90,411	\$90,411	\$45,643	\$44,768

The accompanying notes are an integral part of the financial statements.

OTHER SUPPLEMENTAL
INFORMATION

COMBINING BALANCE SHEET – SPECIAL REVENUE FUNDS

TOWNSHIP OF MARENISCO

Year ended March 31, 2005

	<u>Ambulance Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Departments</u>	<u>Building Inspections</u>	<u>Totals</u>
Assets:					
Cash in bank	\$4,408	\$	\$58,396	\$	\$62,804
Accounts receivable	54,611				54,611
Allowance for doubtful accounts	(25,388)				(25,388)
Prepaid expenses			473		473
Accrued interest income			167		167
Total Assets	<u>\$33,631</u>	<u>\$</u>	<u>\$59,036</u>	<u>\$</u>	<u>\$92,667</u>
Accounts payable	\$15,250	\$	\$356	\$	\$15,606
Fund balance-unreserved	18,381		58,680		77,061
Total Equity & Liabilities	<u>\$33,631</u>	<u>\$</u>	<u>\$59,036</u>	<u>\$</u>	<u>\$92,667</u>

The accompanying notes are an integral part of the financial statements.

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

TOWNSHIP OF MARENISCO
Year ended March 31, 2005

	<u>Ambulance Fund</u>	<u>Liquor Law Enforcement</u>	<u>Fire Departments</u>	<u>Building Inspections</u>	<u>Totals</u>
Revenues:					
State grants	\$	\$2,214	\$	\$	\$2,214
Charges for services	28,806			4,132	32,938
Interest income	60		759		819
Donations	6,288		33,962		40,250
Total Revenues	\$35,154	\$2,214	\$34,721	\$4,132	\$76,221
Expenditures					
Public safety	\$	\$	\$	\$4,132	\$4,132
Contract costs	12,450		6,723		19,173
Communication	701		292		993
Repairs & maintenance	210		2,702		2,912
Bad debts	11,056				11,056
Operating supplies	6,896		34		6,930
Transportation			616		616
Debt retirement-principal	7,503				7,503
Interest	1,821		946		2,767
Training/dues	3,359		892		4,251
Equipment			38,151		38,151
Miscellaneous	999		99		1,098
Total Expenditures	44,995		50,455	4,132	99,582
Excess (Deficiency) of Revs over Expenditures	(\$9,841)	\$2,214	(\$15,734)	\$	(\$23,361)
Other financing sources (use)- Operating Transfers		(2,214)	20,000		17,786
Excess (Deficiency) of Revenues and Other Financing Source Over Expenditures and Other Financing Use	(9,841)		4,266		(5,575)
Fund balance 3/31/04	28,222		54,414		82,636
Fund balance 3/31/05	\$18,381	\$	\$58,680	\$	\$77,061

The accompanying notes are an integral part of the financial statements.

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Supervisor and Members of the Board
Township of Marenisco
Marenisco, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Township of Marenisco as of and for the year ended March 31, 2005, which collectively comprise the Township of Marenisco basic financial statements and have issued our report thereon dated September 30, 2005. We conducted the audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Township of Marenisco's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Internal Control over Financial Reporting

In planning and performing the audit, we considered the Township of Marenisco's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted one matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the entity's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements.

Reportable condition noted in our review is described as follows:

The Township did not reconcile their physical inventory to control records to ensure completeness and accuracy. The control records contain listed items which are believe no longer present or obsolete and should be adjusted for by the Township's Board.


Without an updated listing, the Township cannot monitor its holdings against various types of losses nor can procure adequate insurance coverage.

The Township should implement procedures to accomplish the final reconciliation of physical counts to the accounting records and schedule such reviews and analysis at least annually.

The Township Board understated the beginning Fund Balances in preparing their annual General Fund budget. This information may have influence the Board, as well as, the general public in determining funding priorities. Furthermore, no budgets were adopted for various Special Revenue Funds as required. Also, our review noted cost overruns in various functional activities, which would have required the Board to amend their operating budget. Michigan Public Act 621 of 1978 provides guidance in preparing budget amendment in avoiding non-compliance.

Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no other matters involving the internal control over financial reporting and its operations that we consider to be material weaknesses except as described above item 1. A separate letter was issued to management of Marenisco Township involving internal control matters over financial reporting that were not material weaknesses.

This report is intended solely for the use of management and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Members of the Board, is a matter of public record.


Roger J. Kolehmainen PC
Certified Public Accountant

September 30, 2005

Roger J. Kolehmainen CPA PC
1445 East Cloverland Drive
Ironwood, MI 49938
(906) 932-3600

MANAGEMENT LETTER

Township Supervisor and
Members of the Board
Township of Marenisco
Marenisco, MI

We have audited the general purpose financial statements of the Township of Marenisco, as of and for the year ended, March 31, 2005, and have issued our report dated September 30, 2005.

In planning and performing the audit of the financial statements, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing any opinion on the financial statements and not to provide assurance on the internal control structure.

During the course of our audit, certain matters have come to our attention which we feel should be addressed by management. These matters are not considered to be material weaknesses under standards established by the American Institute of Certified Public Accountants. However, they are areas in which management may improve its accounting and reporting system.

The following are items that have been discussed during the course of our audit with appropriate officials of the Township.

1. Property Ledger

The listing of general fixed assets and utility assets has not been reconciled with the recent physical inventory. Without reconciling, there are no assurances that the amounts and items reported upon are in fact, present and in useable condition.

It would be appropriate to complete the reconciliation process and the results presented to the Township Board for any adjustments. This may be an excellent time in identifying surplus or obsolete items to be disposed of as well.

2. The Township had cash and investments on deposit that exceed the FDIC insurance coverage should a loss be experienced. The Treasurer should be instructed to research terms with other local banking institutions in reducing the risk element. Furthermore, whenever possible, cancelled checks should be returned to the Township in providing proof of payment and to assist the audit effort.

3. In adopting the General Fund budget, the beginning Fund Balance was substantially understated, not allowing the Board or the General Public adequate information. Also, the Township Board did not adopt budgets for the all the Special Revenue Funds as required. Furthermore budget amendments should be utilized when cost over runs are anticipated in any cost center prior to incurring.

The Township Board and Supervisor may want to review Public Act 621 to ensure future compliance.

4. Various bank accounts balances did not agree with accounting records as of March 31, 2005. Furthermore, cash receipts were not being prepared to document the inflow of monies since the election

Bank accounts should be posted currently and reconciled with Treasurer's records to ensure accuracy. Formal cash receipts should be prepared upon formal receipt of Township monies and retained for proof.

5. The Ambulance and Fire Department accounting records needs to be posted timely, with the original bank statements and invoices available at the Township. The various departments provided records after year end in allowing for records to be posted, however, adequate supporting documentation was incomplete. Furthermore, ambulance fund accounts receivables should be monitored closely for collectibility and if deemed worthless, written off by the Ambulance Board. Frequent rebilling should be preformed to minimize potential write offs.

Sincerely,



Roger J. Kolehmainen